

REMARKS

I. Status of the Claims of Patent Application

There are 8 claims pending in the application comprising claims 1-8. Applicant has made certain amendments to clarify the pre-existing scope of claims 1-8.

II. Request for Reconsideration

Applicant requests reconsideration of the rejections and further requests allowance of the application on the basis of the following remarks.

III. Claim Rejections

In the office action claims 1, 3, and 4 are rejected under 35 U.S.C. 102(b) as being anticipated by Cooperstein (U.S. Patent 5,893,071). However, all the features of claim 1, 3, and 4 are not described or suggested by Cooperstein.

Cooperstein describes prior art systems which the present application improves upon. The invention of the present application as defined in the claims provides the option to allow annuity contract owners to withdraw principal during the payout phase of the annuity contract. The ability to withdraw principal in the payout phase is important for a number of reasons. One significant reason, not described or contemplated by Cooperstein, is that the withdrawal of principal, e.g., money contributed to purchase the annuity contract, is a non-taxable event. This is because, a contract owner may have paid X amount of his or her own post-tax dollars to purchase the annuity so as to secure certain payments during his or her retirement. The annuity payments made during retirement include interest earned during the accumulation phase of the annuity and also, possibly, some portion of the principal that the contract owner contributed to purchase the annuity. In such annuity payments, the contract owner will be taxed on the interest earned, but not on any principal that is returned to the contract owner. The present invention as defined by the claims gives an annuity contract owner the option to request and withdraw the principal during the payout phase (e.g., retirement) and provides the contract owner with the advantage of tapping into this non-taxable event above and beyond the annuity payments that are set under the contract. Claim 1 implements features for taking advantage of

these features. Cooperstein does not describe or suggest such systems. As such all the features of claim 1 are not described or suggested by Cooperstein.

Moreover, Cooperstein specifically describes or teaches to the contrary.

Cooperstein notes that "[i]n establishing the payout amounts in this way . . . principal and/or interest are not available after income payments commence, neither for withdrawal nor on or after the annuitant's death." col. 2, lines 8-15.

Claims 3 and 4 are allowable at least because they depend from independent claim 1, which is distinguished over the cited reference above.

Claims 1-8 are rejected under 35 USC 103(a) as being unpatentable over Cooperstein in view of Eric T. Sondergeld, "Cashing in: The Other Side of Annuities," LIMRA's Market Facts, Nov/Dec 1995, Volume 14, Issue 6, pages 45-48 (hereinafter Sondergeld). However, the unique payout phase with withdrawal features of claims 1-8 are not described or suggested by Cooperstein and Sondergeld.

In the Office Action, the Examiner concedes that Cooperstein "fails to explicitly teach that the annuity contract to which the system and method are applied contains an option permitting the owner to withdraw all or part of the principal from the annuity during a payout phase of the annuity contract, and that the request for withdrawal to be processed may be a request made during such payout phase." Office Action, page 6. The Office Action relies on Sondergeld to overcome the stated deficiencies in Cooperstein. However, such reliance is misplaced.

The Office Action, specifically, relies on the following quote from Sondergeld, "[s]ome companies have already begun offering liquidity after annuitization has begun, where the customer can withdraw part or all of the commuted value if the need arises." Office Action, page 6. Offering to allow customers to withdraw part or all of the "commuted value" of the annuity contract does not describe or suggest the recited features of claims 1 and 5, at least because "commuted value" does not mean principal as is recited in the claims. The "commuted value" refers to the current value of the annuity contract which is a combination of interest earned and principal. The present invention as defined by the claims provides the user with the option to request and withdraw principal, as opposed to the "commuted value" for which a withdrawal can include significant tax implications if the withdrawal is drawn from the interest earned in the "commuted value." Sondergeld does not describe this disadvantage nor does it

suggest the advantage of withdrawing principal to provide liquidity and the attendant significant tax advantages. Moreover, the above quote in Cooperstein also teaches away from Sondergeld by teaching away from any form of withdrawal in the payout phase.

Accordingly, claims 1 and 5 are distinguished over the Cooperstein and Sondergeld at least for the foregoing reasons. Claims 2-4 and 6-8 are also allowable over Cooperstein and Sondergeld at least for the same reasons as given above for their respective base claims, claims 1 and 5.

IV. Priority Claim

In the Office Action, the benefit of the prior filed application under 35 USC §120 is acknowledged. However, the Office Action further comments that Applicant has not complied with one or more conditions for receiving the benefit of an earlier filing date under 35 USC §120. In response, Applicant clarifies that the present application was filed as a continuation-in-part application and to the extent that the claimed subject in the parent application supports the claims in the present application, a priority claim to the parent applications is proper. The Office Action states that claims 1, 3-6, and 8 are not entitled to the benefit of the earlier filed application. However, claims 1, 3-6, and 8 include features that are supported by the earlier filed application. For example, the earlier application includes a description of systems and methods for administering annuity contracts which is common with the pending claims in the present applications. As such, a priority claim to the earlier application in the present continuation-in-part application is proper.

VI. Conclusion

For the foregoing reasons, applicant submits that all of the claims are patentable over the cited art and respectfully requests reconsideration and an early indication of allowance. The Examiner is invited to contact the undersigned if any additional information is required.

Respectfully submitted,

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Date

for


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